

**Audited Financial Statements**  
**DOG TAG, INC.**  
**(formerly DOG TAG BAKERY, INC.)**  
*December 31, 2017*

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T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

## Independent Auditor's Report on the Financial Statements

To the Board of Directors  
Dog Tag, Inc.

We have audited the accompanying financial statements of Dog Tag, Inc. (Dog Tag) (formerly Dog Tag Bakery, Inc.), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Dog Tag's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dog Tag's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dog Tag, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC  
July 18, 2018

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# Dog Tag, Inc.

## Statements of Financial Position

December 31,	2017	2016
<b>Assets</b>		
Cash	\$ 247,363	\$ 164,058
Accounts and contributions receivable	323,232	189,354
Prepaid expenses and deposits	28,069	12,888
Property and equipment, net	47,657	66,923
<b>Total assets</b>	<b>\$ 646,321</b>	<b>\$ 433,223</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 168,605	\$ 141,462
Loan payable	243,950	-
Capital lease obligation	8,136	-
Total liabilities	420,691	141,462
Net assets		
Unrestricted	47,755	196,165
Temporarily restricted	177,875	95,596
Total net assets	225,630	291,761
<b>Total liabilities and net assets</b>	<b>\$ 646,321</b>	<b>\$ 433,223</b>

# Dog Tag, Inc.

## Statements of Activities

<b>Year Ended December 31,</b>	<b>2017</b>	<b>2016</b>
<b>Unrestricted activities</b>		
Revenue and support		
Bakery sales	\$ 967,675	\$ 822,933
Less: cost of goods sold	361,857	379,615
Gross profit	605,818	443,318
In-kind donations	1,938,535	2,059,048
Contributions and grants	704,158	435,576
Net assets released from restriction	551,529	500,083
Total unrestricted revenue and support	3,800,040	3,438,025
Expenses		
Program services		
Bakery program	2,150,951	2,023,512
Veteran education program	1,057,685	1,066,752
Total program services	3,208,636	3,090,264
Supporting services		
General and administrative	442,315	301,475
Fundraising	297,499	232,963
Total supporting services	739,814	534,438
Total expenses	3,948,450	3,624,702
Change in unrestricted net assets	(148,410)	(186,677)
<b>Temporarily restricted activities</b>		
Contributions and grants	633,808	441,225
Net assets released from restriction	(551,529)	(500,083)
Change in temporarily restricted net assets	82,279	(58,858)
<b>Change in net assets</b>	<b>(66,131)</b>	<b>(245,535)</b>
Net assets, beginning of year	291,761	537,296
<b>Net assets, end of year</b>	<b>\$ 225,630</b>	<b>\$ 291,761</b>

See notes to the financial statements.

## Statement of Functional Expense

Year Ended December 31, 2017

	Bakery Program	Veteran Education Program	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
<b>Expense</b>							
Rent	\$ 3,776	\$ -	\$ 3,776	\$ 1,895,405	\$ -	\$ 1,895,405	\$ 1,899,181
Salaries, benefits, and related expenses	532,301	240,856	773,157	135,934	89,527	225,461	998,618
Professional services	302,546	12,368	314,914	171,972	-	171,972	486,886
Student stipends	-	136,500	136,500	-	-	-	136,500
Education expense	-	104,981	104,981	-	-	-	104,981
Utilities, repairs, and maintenance	26,975	-	26,975	58,290	-	58,290	85,265
Insurance	-	-	-	53,901	-	53,901	53,901
Banking and credit card fees	33,865	-	33,865	8,162	-	8,162	42,027
Marketing and advertising	12,865	1,205	14,070	14,403	4,633	19,036	33,106
Depreciation and amortization	-	-	-	28,914	-	28,914	28,914
Printing and postage	22,638	2,376	25,014	3,520	21	3,541	28,555
Miscellaneous	10,368	8,746	19,114	2,012	308	2,320	21,434
Supplies	9,749	1,119	10,868	3,190	625	3,815	14,683
Travel and entertainment	1,024	8,139	9,163	3,717	1,147	4,864	14,027
Interest expense	-	-	-	372	-	372	372
Total expense before allocation	956,107	516,290	1,472,397	2,379,792	96,261	2,476,053	3,948,450
General and administrative allocation	1,194,844	541,395	1,736,239	(1,937,477)	201,238	(1,736,239)	-
Total expense	\$ 2,150,951	\$ 1,057,685	\$ 3,208,636	\$ 442,315	\$ 297,499	\$ 739,814	\$ 3,948,450

See notes to the financial statements.

**Statement of Functional Expense**  
**Year Ended December 31, 2016**

<b>Expense</b>	<b>Bakery Program</b>	<b>Veteran Education Program</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
Rent	\$ 6,053	\$ 640	\$ 6,693	\$ 1,893,905	\$ -	\$ 1,893,905	\$ 1,900,598
Salaries, benefits, and related expenses	514,565	224,909	739,474	101,494	62,031	163,525	902,999
Professional services	66,394	6,880	73,274	244,634	2,000	246,634	319,908
Student stipends	-	129,793	129,793	-	-	-	129,793
Education expense	-	101,213	101,213	-	-	-	101,213
Utilities, repairs, and maintenance	25,330	-	25,330	26,467	-	26,467	51,797
Depreciation and amortization	-	-	-	40,900	-	40,900	40,900
Marketing and advertising	11,556	-	11,556	18,299	7,027	25,326	36,882
Banking and credit card fees	26,121	-	26,121	6,964	-	6,964	33,085
Insurance	-	-	-	32,282	-	32,282	32,282
Printing and postage	22,864	639	23,503	3,325	266	3,591	27,094
Travel and entertainment	429	12,571	13,000	4,296	161	4,457	17,457
Supplies	6,687	6,253	12,940	2,932	391	3,323	16,263
Miscellaneous	12,915	851	13,766	375	290	665	14,431
Total expense before allocation	692,914	483,749	1,176,663	2,375,873	72,166	2,448,039	3,624,702
General and administrative allocation	1,330,598	583,003	1,913,601	(2,074,398)	160,797	(1,913,601)	-
Total expense	\$ 2,023,512	\$ 1,066,752	\$ 3,090,264	\$ 301,475	\$ 232,963	\$ 534,438	\$ 3,624,702

## Statements of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (66,131)	\$ (245,535)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	28,914	40,900
Loss (gain) on disposal of property and equipment	222	(335)
Changes in assets and liabilities:		
Accounts and contributions receivable	(133,878)	(58,949)
Inventory	-	26,373
Prepaid expenses and deposits	(15,181)	6,707
Accounts payable and accrued expenses	27,143	21,331
Total adjustments	(92,780)	36,027
Net cash used in operating activities	(158,911)	(209,508)
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of property and equipment	6,000	1,635
Purchases of property and equipment	(15,870)	(1,500)
Net cash (used in) provided by investing activities	(9,870)	135
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	243,950	-
Issuance of capital lease	11,988	-
Payments on capital lease obligation	(3,852)	-
Net cash provided by financing activities	252,086	-
<b>Net increase (decrease) in cash</b>	<b>83,305</b>	<b>(209,373)</b>
Cash, beginning of year	164,058	373,431
Cash, end of year	\$ 247,363	\$ 164,058
<b>Supplemental information</b>		
Interest paid	\$ 372	\$ -



Notes to the Financial Statements

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**A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Dog Tag, Inc. (Dog Tag) (formerly known as Dog Tag Bakery, Inc.) was incorporated in 2011 under the laws of the District of Columbia. Dog Tag is dedicated to empowering the lives of veterans with service-connected disabilities, spouses, and caregivers through a fellowship program that fosters an entrepreneurial mindset in a small business environment.

Dog Tag's programs consist of the following:

Bakery program – The Bakery program puts participants' newly acquired skills into context and provides a source of income to offset the cost of Dog Tag's programs. Dog Tag's storefront includes a state of the art bakery and classroom space. Dog Tag provides experiential learning by facilitating a working rotation through the storefront and back-office non-profit positions. Participants have a chance to learn every aspect of a small business including operations, staff management, product creation, customer service, and marketing. Through a combination of shadowing and project management, participants are expected to complete tasks independently while communicating their needs and progress with management.

Veteran education program – The Veteran education program is a professional development program, through Georgetown University's School of Continuing Studies, designed to prepare military veterans with service connected disabilities, spouses and caregivers to find success as they transition into the civilian workforce. This five month program assists in translating participant's military experience into workplace skills. Dog Tag provides a unique opportunity in which participants will take seven courses in Business Administration to understand how management decisions are made while working within a small business environment.

Basis of accounting: The financial statements of Dog Tag are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status: Dog Tag, Inc. is exempt from the payment of federal and state income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity.

Accounts and contributions receivable: Accounts receivable consist primarily of amounts due from customers for catering orders and holiday basket sales and are presented at the gross amount due to Dog Tag. Contributions receivable consist primarily of pledges made by corporate donors and a Board member to further the mission of Dog Tag. Management anticipates collecting all receivables within one year. Management periodically reviews the status of all receivable balances for collectability and each receivable balance is assessed based on Dog Tag's knowledge of the customer, relationship with the customer, and the age of the receivable balance. As a result of these reviews, an allowance for doubtful accounts was not considered necessary.

Notes to the Financial Statements

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Inventory: During the year ended December 31, 2016, management ceased the capitalization of its inventory. Management believes that the result of this treatment is materially consistent with that of its previous method.

Property and equipment: Property and equipment are stated at cost, or if donated, capitalized at the estimated fair market value at the date of receipt. It is the policy of Dog Tag to capitalize all purchases of property and equipment greater than or equal to \$2,500. Depreciation and amortization of property and equipment is computed on a straight-line basis over estimated useful lives ranging from three to seven years.

Net assets: Net assets are classified as unrestricted or temporarily restricted based on the existence or absence of donor-imposed restrictions or passage of time. A description of each net asset group is as follows:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use has been restricted by the passage of time or restrictions imposed by the donors for the Veteran education program.

In-kind donations: In-kind donations are recognized as revenue and expense in the statement of activities in accordance with generally accepted accounting principles if the donations (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and (c) would otherwise need to be purchased by the Dog Tag.

Contributions and grants: Contributions and grants are available for unrestricted use unless donor restricted for a specific time or purpose. Amounts received that are restricted by the donor for a specific purpose or time are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when the purpose restriction is accomplished or specified time has elapsed), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expense. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited based upon various methods deemed to reflect the benefits received by those programs and supporting services.

Subsequent events: Subsequent events have been evaluated through July 18, 2018, which is the date the financial statements were available to be issued.

## Notes to the Financial Statements

**B. CONCENTRATIONS**

Credit risk: Dog Tag maintains demand deposits with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to Dog Tag.

Support: One of Dog Tag's founders (the Founder) is the President of Foundation Sweet Success (FSS). FSS is the owner of the building that Dog Tag occupies free of charge. The in-kind donation related to this free rent totaled approximately \$1,890,000 for each of the years ended December 31, 2017 and 2016. This in-kind donation is allocated to the functional areas benefited through the allocation of overhead expenses in the statements of functional expense. FSS also made contributions of \$25,000 and \$24,481 to defray Dog Tag's general and website costs during the years ended December 31, 2017 and 2016, respectively.

The Founder provided cash contributions totaling \$365,000 and \$308,205 for the years ended December 31, 2017 and 2016, respectively.

During the year ended December 31, 2017, the Founder loaned Dog Tag \$243,950 to cover preliminary costs related to a purchase agreement to produce 640,000 Dog Tag brownies to be sold in Starbucks cafes. Dog Tag plans to repay these funds by the end of 2018 once revenues related to the purchase agreement are received.

As of December 31, 2017 and 2016, respectively, the Founder owed Dog Tag \$0 and \$9,005 for a) goods received and b) amounts the individual agreed to pay to Dog Tag to defray the production costs of holiday baskets. This amount is included in accounts and contributions receivable in the statement of financial position.

**C. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31,:

	2017	2016
Equipment	\$ 84,526	\$ 78,481
Website and software	31,851	31,851
Bakery facility	8,127	8,127
	<u>124,504</u>	<u>118,459</u>
Less: accumulated depreciation and amortization	<u>(76,847)</u>	<u>(51,536)</u>
	<u>\$ 47,657</u>	<u>\$ 66,923</u>

## Notes to the Financial Statements

**D. IN-KIND DONATIONS**

Dog Tag received the following in-kind donations during the year ended December 31,:

	<b>2017</b>	<b>2016</b>
Facility rent	\$ 1,890,000	\$ 1,890,000
Professional services	48,535	169,048
	<u>\$ 1,938,535</u>	<u>\$ 2,059,048</u>

**E. CAPITAL LEASE**

During April 2017, Dog Tag entered into a capital lease for 12 Macintosh computers. Under the terms of the lease, Dog Tag is required to make monthly payments of \$352. As of December 31, 2017, the cost net of related accumulated amortization of the leased assets was \$7,992.

Future minimum payments are as follows:

**Year Ending December 31**

2018	\$ 4,224
2019	4,224
	<u>8,448</u>
Less interest	<u>(312)</u>
	<u>\$ 8,136</u>

**F. CONTINGENCIES**

*In-kind donation:* As discussed in Notes B and D, Dog Tag receives an in-kind donation of facility rent related to the building from which it conducts its operations. The agreement between Dog Tag and the owner of the building, Foundation Sweet Success, states that Dog Tag is entitled to utilize the building, and its contents, provided it pays all operating expenses associated with it. The agreement automatically renews annually unless either party provides written notice to terminate at least ninety days prior to year-end.

*Defined Contribution Plan:* Effective January 1, 2017, Dog Tag established the Dog Tag 403(b) Plan (the Plan) for the benefit of its employees. Eligible participants may elect to contribute a portion of their compensation to the Plan. Employer matching is discretionary. Dog Tag did not make a discretionary match during the year end December 31, 2017.